REAL ESTATE UPDATE

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THIS NEWSLETTER IS BROUGHT TO YOU BY:

John Doe
Senior Loan Officer
Ajax Mortgage
111 Mortgage Way
Mortgagetown, MD, 11111
(301) 555-1212
(800) 555-5555
Ajaxmrtg.com

Specializing in

- ☑ **Residential Purchases**
- ☑ **Residential Refinances**
- ☑ **Commercial Properties**
- ☑ **Home Equity Loans**

Experts Release 2024 Forecasts

Curious about the real estate market in 2024? So are we and we decided to present a few of the forecasts from experts of major industry organizations:

Borrowing costs are expected to ease further next year, which should entice buyers to return to the market. NAR is projecting that existing-home sales will rise 13.5% and new-home sales—which are up about 5% this year, defying market trends—could increase another 19% by the end of next year.

Single-family home sales likely bottomed out in Q4 2023 and, due to the recent pullback in mortgage rates, are expected to begin a slow but meaningful recovery over the course of the next year, alongside upward-trending mortgage origination activity, according to the December 2023 commentary from the Fannie Mae Economic and Strategic Research (ESR) Group. The ESR Group also continues to forecast a modest downturn in 2024, followed by a return to growth in 2025.

The Mortgage Bankers Association (MBA) has indicated that total mortgage origination volume is expected to increase to $1.95

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Did You Know…

According to the Federal Housing Finance Agency's (FHFA) Home Price Index which compared home values between the third quarter of 2022 and the third quarter of 2023, the average U.S. home price gained a cool 5.5% in value year-over-year. In comparison, home prices rose 2.1% compared to the second quarter of 2023.

A recent Fannie Mae poll reveals that over 80% of renters would like their on-time rent payments to be factored into their credit scores. Rent is often a renter's largest monthly expense, and credit scores play a huge factor in the ability to pursue financial and economic opportunities, such as obtaining mortgage or car loans, credit cards, or student loans.

Selected Interest Rates

December 21, 2023

30 Year Mortgages——6.67%
2023 High (Oct 19)——7.79%
2023 Low (Jan 26)——6.09%
15 Year Mortgages——5.95%
10 Year Treasuries——3.89%

Sources—Fed Reserve, Freddie Mac
Note: Average rates do not include fees and points. Information is provided for indicating trends only and should not be used for comparison purposes.

In This Issue

New Trend — House Hacking

In the face of soaring housing costs, a growing number of young homebuyers, primarily millennials and Gen Z, are embracing the concept of "house hacking."

This trend involves renting out a portion or the entirety of their homes to generate additional income. According to a recent Zillow survey, 55% of Millennial and 51% of Gen Z buyers consider the opportunity to rent out part of their home for extra income to be very or extremely important when making home purchase decisions. This house hacking trend is not limited to the younger generation, as 39% of all homebuyers also find the prospect appealing.

Additionally, Zillow's 2023 Consumer Housing Trends Report (CHTR) highlights that more than half of millennial (59%) and Gen Z (54%) buyers believe it is highly important to be able to rent out their entire home in the future, compared to 43% of all buyers. "Younger homebuyers — mostly Gen Z and millennials — are especially into the idea of rental income as a key factor in their homebuying decisions," said Zillow senior population scientist Manny Garcia...❑

Source: Zillow

Financial Resolutions...

We need to return to the era of fiscal responsibility. In the past few years, we have seen a shift in the thinking of the average American. This shift has been caused by a reaction to the pandemic which caused unprecedented growth in assets, especially real estate and stocks. As the recession ended, we had plenty to spend and spend we did. But now the party is over and with the New Year upon us, it is time to make a few “financial resolutions.”

Get control of spending. The holidays are over, and the tab is coming due. Fewer of us are over-spending on gifts this year. However, regardless of whether you have overspent or not, taking control of your spending habits is a "year-round" job-not one that calls for restraint only during the holidays.

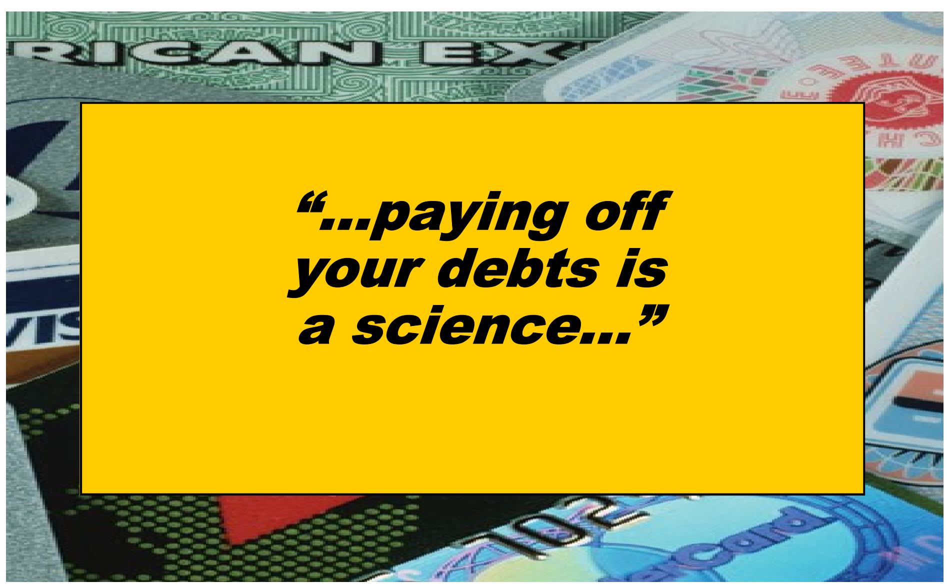
Start with the formulation of a budget. List your fixed expenses (ones that can't change) first and then variable expenses. For example, you can't change the cost of your social security taxes or your car payment. But you can change how much you spend on entertainment or cigarettes every month.

Now ask yourself a very important question. Which variable expenses can be reduced? Certainly, you probably guessed that we would suggest you stop smoking. Here is a habit that costs you every month and in the long run is likely to increase your cost for health care as well.

Don't stop there. Look hard at the fixed expenses. Can you reduce some of these as well? For example, could you restructure your debts to pay off high-interest credit cards? How about shopping for lower-cost car insurance or raising your deductible? For many, health insurance costs occupy a larger part of their monthly budget. Can this cost be reduced?

The final step is to follow the budget. That means assessing what you spent each month and making monthly adjustments. If there are extraordinary expenses such as house maintenance, did you budget for these?

Get control of your debts. Of course, the largest fixed expense for many Americans is their monthly payments for debts. Credit cards, car loans and mortgages all come under the "debt" category. The money you save by reducing spending should be put to work doing two things.



“...paying off your debts is a science...”

…For the New Year

The first thing is reducing debts because this will make more money available for saving in the long run.

It is important to note that paying off your debts is a science. You should not undertake this task randomly. Here are a few rules:

- The earlier you pay off debts, the more benefits you will receive. It is the same concept of saving. The earlier in life you save, the bigger the payoff in the end. The earlier you pay off debts, the greater the debt payoff benefits.

- Start with smaller debts first. In the "debt roll down" method, you pay off the smallest first and then use the savings to pay off the next largest debt. When you have finished paying off consumer debts, then you can work on the mortgage if you own a home. With the savings of hundreds or even thousands of dollars per month on consumer debts, you will be surprised at how quickly you can pay down a mortgage. You should also pay off the mortgage last because the mortgage is tax deductible while consumer debts are not.

- Start saving. The second use of the money you are not spending is to start saving. You should start by making sure you are making full use of your 401K or other retirement plan. This is important not only because of the need to save for the long-term, but also because you receive a tax benefit for this saving. Think of it this way. If you are in a 30% tax bracket, the government is making a contribution of $300 for each $1,000 that you put into your retirement plan.

Yes, you should also save for emergencies and contingencies. That is what makes budgets work. Remember, you are not saving for the next big purchase. You are saving for true emergencies such as having to replace a roof or medical situations.

The formula is clear. Spend less and use the savings to pay down debt, save for retirement and save for contingencies. Together this is a winning formula which will serve you well not only this year, but for years to come. You can use this formula to achieve long-term goals such as a comfortable retirement or purchasing your first home…❑

199,000
Jobs Added
In November

Experts Release 2024 Forecasts

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trillion in 2024 from the $1.64 trillion expected in 2023. Purchase originations are forecast to increase 11 percent to $1.47 trillion next year. By loan count, total mortgage origination volume is also expected to increase by 19 percent, to 5.2 million loans in 2024 from 4.4 million loans expected in 2023.

In summary, the major industry organizations are expecting things to get better—lower mortgage rates and increased real estate sales – but not greatly so. Let's hope they are right about the direction, but wrong about the size of the increase so that we can have a larger rebound…❑

"…mortgage rates, are expected to begin a slow but meaningful recovery …"

My goal is to provide expert advice and direction for my clients with an overall goal of providing a real estate finance transaction that exceeds their goals and expectations.

-- John Doe
Senior Loan Officer

Higher Loan Limits for 2024

The Federal Housing Finance Agency (FHFA) has announced an increase in conforming loan limits for Fannie Mae and Freddie Mac for 2024. Overall, the limits increased by 5.56%, the same percentage increase in home prices measured by FHFA's Home Price Index for the past 12 months.

In 2023, the maximum conforming limit for one-unit properties was $726,200, thus the increase was just over $40,000 to $766,550. The maximum limits for high-cost areas such as the New York and Washington DC Metropolitan areas is 50% higher, or $1,149,825 for a one unit property.

The Federal Housing Administration also released their 2024 limits for FHA loans. FHA base limits are at 65% of the base conforming limits ($498,257) with the high-cost limits at the same level as conforming high-cost limits.. Reverse mortgages are also at the high-cost limit nation-wide...

Sources: FHA and FHFA

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Ajax Mortgage
111 Mortgage Way
Mortgagetown, MD, 11111
(301) 555-1212
(800) 555-5555
Ajaxmrtg.com

Address Correction Requested

Joe Customer
Joe's Appliance Center
111 Center Way Drive
Suite 1005
Happyville, VA 20000